

CBO TESTIMONY

**Statement of
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Director**

Biennial Budgeting

**before the
Committee on Rules
U.S. House of Representatives**

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Mr. Chairman and Members of the Committee, thank you for giving me the opportunity to testify on the idea of converting the annual budget process to a two-year cycle. Under the major proposals for biennial budgeting, the first session of each Congress would be devoted to budget action—the President's budget, the budget resolution, and appropriation and reconciliation bills. The second session would focus on oversight of federal programs, authorizing legislation (laws that set underlying policies for federal programs and that are generally a prerequisite for appropriations under House and Senate rules), and legislation needed to adjust budget laws for changing conditions or unforeseen events.

Biennial federal budgeting is a relatively long-standing idea (specific proposals date back to the late 1970s), and the battle lines over whether it should be adopted have been clearly drawn for some time. Proponents are convinced that devoting a separate session of Congress to authorizing and other nonbudget legislation would improve oversight of federal programs and ease the stresses under which lawmakers labor to complete action on the budget—especially appropriation acts. Opponents are as firmly convinced that a biennial budget cycle would lead to the use of large supplemental appropriation bills and other ad hoc measures to deal with unforeseen budget and economic changes and would shift the balance of budgetary power to the President.

My testimony this morning will make the following points:

- The success of a biennial budget cycle would depend on whether lawmakers were able to separate budget and nonbudget issues in the way that proponents envision. Various practical hurdles could make separating the two types of issues difficult.
- Biennial budgeting could make two major improvements to the budget process. First, it might give lawmakers and agency officials time to evaluate federal programs more effectively and help them carry out the requirements of the Government Performance and Results Act of 1993 (GPRA). Second, it could help ease the annual logjam of budget legislation that has contributed to recent difficulties in the annual appropriation process.
- A biennial budget cycle would not come without costs. Members would need to weigh the potential gains from more time for oversight and a more efficient appropriation process against the potential drawbacks of weakened Congressional control of the budget, less accountable federal agencies, and a budget process that might be less responsive to changing conditions.

THE DIFFICULTY OF SEPARATING BUDGET ISSUES FROM OTHER ISSUES

The idea that Congressional oversight and the budget process will improve under a biennial cycle rests largely on the assumptions that public policy issues can be divided into budget and nonbudget components and that each can be confined to a single session of Congress. A number of practical hurdles could make it hard to separate the two types of issues and thus could jeopardize the benefits of shifting to a two-year budget cycle.

All of the major proposals for a biennial process distinguish between budget and nonbudget issues by specifying a timetable of budget actions in the first session of each Congress. Those actions—submitting the President's budget, adopting the budget resolution, and enacting appropriation and reconciliation acts—would generally parallel the current yearly schedule. The second session would be reserved for authorization laws and for legislation making any necessary adjustments to budget laws enacted in the first session or in earlier years. To enforce the separation between the budget and nonbudget sessions, some proposals would also bar the Congress from considering any authorizing legislation or nonreconciliation (free-standing) revenue measures during the first session until it had finished acting on the budget resolution, all regular (biennial) appropriation acts, and any reconciliation legislation.

Although distinguishing between budget and nonbudget legislation in that way sounds straightforward, it could be confusing and might create new difficulties in the budget process. For example, authorizing legislation can sometimes include significant amounts of mandatory spending. In addition, tax legislation is often considered in the form of free-standing bills outside the reconciliation process. Legislation in those categories raises certain questions. For example, should those types of measures, even if they include significant spending or revenue effects, be confined to the nonbudget session? If the budget effects of such legislation are offset, so there is no net change in the deficit or surplus, should the legislation be considered budgetary or nonbudgetary?

The rules governing reconciliation in the Congress raise additional issues. In general, reconciliation is a process for changing permanent spending and revenue laws to make them conform with the budget resolution. The rules of that process are intended largely to ensure that reconciliation bills are consistent with the directives in the resolution and to expedite their consideration. Those rules, especially in the Senate, make reconciliation bills important legislative vehicles for changing federal programs

and revenue laws. But they may also limit the extent to which broad, structural reforms in federal programs (such as those dealing with long-term imbalances in federal retirement or health care programs or certain proposals to reform the tax code) can be made through the reconciliation process. Such reforms may have significant budget effects. If that type of reform legislation may not be included in a reconciliation bill, should it be considered budgetary or nonbudgetary under a biennial budget cycle?

In part, the difficulty of distinguishing between budget and nonbudget issues may be related to the nature of the legislative process. Legislation is divided among Congressional committees with jurisdictions that do not fall neatly into budget classifications. Because biennial budgeting relies on distinguishing between budget and nonbudget issues, lawmakers should carefully evaluate the possible unintended consequences of making that distinction. One possible outcome is that the legislative and budget processes could become more rigid if rules to enforce the distinction were put in place.

POTENTIAL IMPROVEMENTS UNDER A TWO-YEAR BUDGET CYCLE

Proposals for biennial budgeting have been prompted largely by Members' understandable frustration about the extent to which budget issues have come to dominate the annual legislative agenda. Increasingly, Members worry that budget matters are crowding out other, equally important duties, such as Congressional oversight. As a result, they say, the Congress either ignores those other duties or conducts them as part of its annual action on appropriation bills. But in their view, the rigors of annual budgeting tend, first, to make oversight conducted at that point more ad hoc and less effective and, second, to bog down appropriation bills with unrelated and controversial issues that ought to be considered carefully, systematically, and separately.

Improving Oversight

Some evidence appears to support the view that Congressional oversight by authorizing committees has suffered. Over the past five years, the total amount of unauthorized appropriations (appropriations for which the applicable authorization law has expired) has averaged about \$100 billion annually. That amount—which represents nearly one-fifth of total discretionary budget authority—is spread over some 100 different laws covering the jurisdictions of nearly every authorizing committee.

Several factors are likely to have contributed to the problem of unauthorized appropriations. Prominent among them is the difficulty that lawmakers face in reaching a consensus about the controversial issues that often arise during Congressional action on expiring authorization laws. A biennial budget cycle would not make it any easier to reach a consensus on those issues. But it might make it easier for lawmakers to separate policy and funding decisions and thus increase opportunities for authorization laws to be enacted in a timely fashion.

The Government Performance and Results Act adds an important element to the debate about possible improvements to Congressional oversight under a biennial budget. Under GPRA, federal departments and agencies are required to establish strategic goals, performance plans, and performance measures for federal programs. Lawmakers are supposed to use that information to evaluate those programs and to allocate federal resources in the budget process. A governmentwide performance plan has been included in the President's budget for the past three years. By March 31, 2000, federal agencies are required to submit the first reports that evaluate their progress toward meeting the performance goals set out in their 1999 performance plans.

With the GPRA framework of reporting and other requirements nearly phased in, lawmakers now face the issue of how best to integrate that information into the budget process. One question involves whether the annual budget cycle provides the best setting for making effective use of GPRA performance data. Although the law's ultimate goal was to have performance data used routinely in the budget and appropriation processes, lawmakers may find it easier to employ that information if they have a session of Congress devoted principally to oversight and evaluation. In addition, authorizing committees have an important role in evaluating and using agency performance data and may be better able to apply that information in a nonbudget session as they craft authorizing statutes.

Improving the Appropriation Process

In some respects, biennial budgeting would not depart significantly from current practice. Although lawmakers act on the budget annually, most spending (principally for entitlement programs and net interest) and revenues flow from laws that are either permanent or remain in effect for more than one fiscal year. In the appropriation process, however, lawmakers both act and provide funds one year at a time. Thus, a biennial budget cycle would be likely to have its greatest effect on that process.

Lawmakers have grown increasingly concerned about the difficulties and delays that accompany the appropriation process, particularly during the past two years. Congressional action on most of the appropriation bills for 1999 and 2000 occurred behind schedule, with final action completed well after the beginning of the fiscal year. Most of the major appropriation bills for those years were incorporated into a single consolidated appropriation act, which included numerous authorization and policy provisions generally unrelated to the routine and ongoing appropriations for most federal agencies.

Those problems are not new. As with the difficulties in enacting authorization laws, other factors—especially underlying political disagreements—may be the root cause. But a biennial cycle of regular appropriations could give lawmakers and other officials enough time to resolve those disagreements and could make the appropriation process smoother and more efficient.

In particular, biennial budgeting could have two broad benefits for the appropriation process. First, if lawmakers were successful in separating budget and nonbudget sessions and in enacting authorization laws in a timely fashion, they might be less likely to add controversial policy riders to appropriation measures. Second, oversight during the appropriation process might actually improve. For example, the appropriations committees could focus more closely in the nonbudget session on how appropriated funds were being spent, which could help them prepare for the next two-year appropriation cycle.

POTENTIAL PROBLEMS OF A TWO-YEAR BUDGET PROCESS

Acting on the budget every other year would have drawbacks. Members would need to weigh the potential gains described above against a potential decline in Congressional control of the budget, the effect of using outdated budget information, and a less responsive budget process.

Although biennial appropriations might have payoffs in improved planning for federal agencies and more time for Congressional oversight, they might also diminish Congressional control of spending because lawmakers would have half as many opportunities to adopt regular appropriation bills. Moreover, Congressional oversight that is divorced from the purse strings may be less effective than oversight that is conducted through annual appropriation hearings linked to agencies' funding requests.

Certain appropriated programs with stable or predictable funding patterns might be good candidates for two-year appropriations. But the current annual process already accommodates multiyear appropriations. Also, the benefits to the executive branch of having more time to plan and prepare appropriation requests could be offset by the uncertainty of making those requests for a longer period. Consequently, agencies might be more likely to need or request supplemental appropriations.

Although most spending and revenue laws cover multiyear periods, annual action may be needed to ensure the use of up-to-date budget and economic information. If the economic and technical assumptions underlying the two-year budget were not revised before the end of the biennium, the information and estimates that policymakers used would become less reliable. Consequently, budget enforcement procedures and cost estimates for pending legislation would be distorted. That problem could be alleviated by including procedures in the budget resolution that would allow budget totals and allocations to be updated automatically for changing conditions. But if conditions changed significantly, such an automatic process might lead to far different budget outcomes than the resolution originally recommended.

Considering budget matters every other year could also make the budget process less responsive. For example, if disagreement about budget policies produced a stalemate beyond the first year of a biennium, the Congress and the President would have no formal mechanism for carrying on the budget debate the following year. Policymakers, knowing they were acting under a two-year cycle that called for budget action only in the first session, might be more inclined to resolve budget conflicts before that session ended. But if they did not resolve those conflicts at that time, they would have to pursue the budget debate in the next session in an ad hoc manner. A budget process that is less responsive could be particularly problematic in a period of rapid changes in the budget and economic outlook—such as those that have affected projections of budget surpluses for the past three years or so.

Finally, it is unclear whether the root cause of the problems cited by proponents of biennial budgeting is the annual budget timetable or other factors that would be largely unaffected by a switch to two-year budgeting. For most of the past two decades, the Administration and the Congress have been controlled by different political parties, making basic agreement on major issues, including budget issues, difficult to reach. That disagreement, not the budget cycle, may be the biggest hurdle to smoother budget deliberations in the Congress.

CONCLUSION

Supporters of biennial budgeting are increasingly concerned that the requirements of the annual budget process are overwhelming policymakers and public officials. They argue that the seemingly incessant demands of that process detract from other functions of government—such as long-range planning and oversight—that are equally, if not more, important. If budget and nonbudget issues can be separated in the legislative process, biennial budgeting could help ease those problems, improve oversight, and relieve the pressures on the appropriation process. However, potential gains from changing to a two-year cycle could be offset by the loss of Congressional control over the budget and by the effects of changing conditions on the budget process.